

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7529

BILL NUMBER: HB 1565

NOTE PREPARED: Jan 9, 2005

BILL AMENDED:

SUBJECT: Vanderburgh County Auto Rental Excise Tax.

FIRST AUTHOR: Rep. Becker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes the Evansville City Council to impose a Supplemental Auto Rental Excise Tax in Vanderburgh County.

Effective Date: July 1, 2005.

Explanation of State Expenditures: Current cost for the Department of State Revenue to administrate, audit, and collect the food and beverage tax is approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: After an ordinance was adopted to impose a county supplemental auto rental excise tax, the Evansville fiscal officer must establish the Vanderburgh County Supplemental Auto Rental Excise Tax Fund (SARETF). The Evansville legislative body would be required to send a certified copy of an adopted ordinance to the Department of State Revenue.

Explanation of Local Revenues: Under this proposal, the Evansville legislative body would have the option to adopt a county Supplemental Auto Rental Excise Tax. The tax would be assessed at 2% of the gross retail income from the rental of passenger motor vehicles defined as a motor vehicle designed for carrying passengers, not including motorcycles, buses, or school buses. The following vehicle rentals would be exempt from the county supplemental auto rental excise tax: rentals for use in funeral services; rentals during vehicle servicing; and insurance rentals. The tax would expire on December 31, 2036.

The tax would be imposed, paid, and collected in the same manner as the state Gross Retail Tax. Under the bill, retail merchants in Vanderburgh County would have the option of filing a separate return, filing with the state Auto Rental Excise Tax, or filing with a return for the state Gross Retail Tax. Revenue collected by the tax would be distributed monthly to the SARETF by the Treasurer of State upon warrants issued by the Auditor of State.

Money in the SARETF would be used only for purposes designated by the city legislative body. Under the bill, an adopted tax would expire on December 31, 2036. If a tax were adopted before June 1 of a year the tax would apply to auto rentals after June 30 of the same year. If a tax were adopted on or after June 1 of a year the tax would apply to auto rentals after the last day of the month in which the ordinance is adopted.

Supplemental Auto Rental Excise Tax Estimation: According to the Department of State Revenue, \$438,267 was distributed in Vanderburgh County from the state 4% Auto Rental Excise Tax in CY 2004. Based on this amount, it is estimated that a 2% county supplemental auto rental excise tax could generate an additional \$219,100 in revenue per calendar year. However, due to the exemptions listed above, the revenue generated by a county supplemental auto rental excise tax as proposed would be somewhat less than \$219,100.

State Agencies Affected: Department of State Revenue; Auditor of State; Treasurer of State.

Local Agencies Affected: Vanderburgh County.

Information Sources: Willie Gonzalez, Department of State Revenue, (317) 232-3996; Bob Walls, Department of State Revenue.

Fiscal Analyst: Chris Baker, 317-232-9851.